

Message Text

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ACTION ARA-10

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 9146

INFO AMEMBASSY BOGOTA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMCONSUL GUAYAQUIL

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY GUATEMALA

LIMITED OFFICIAL USE MANAGUA 0735

EO 11652: N/A

TAGS: PGOV, NU

SUBJECT: BANANAS: NICARAGUA AND UPEB

REF: PANAMA 0790

SUMMARY: REFTEL INDICATES NICARAGUA MAY BE CHANGING ITS MIND
ABOUT MEMBERSHIP IN THE UNION OF BANANA EXPORTING COUNTRIES
(UPEB). WE HAVE CHECKED THIS WITH BOTH STANDARD FRUIT AND
GOVERNMENT SOURCES WHICH STATE POLICY HAS NOT CHANGED. END SUMMARY

1. NICARAGUA HAS BASICALLY TWO CONCESSIONS AND ONE CONDITION RE-
QUIRED BEFORE JOINING UPEB. THESE ARE: 1) NO LIMITATION WILL BE
PLACED ON AMOUNT OF LAND TO BE USED FOR BANANA PRODUCTION, 2) THERE
WILL BE NO REQUIREMENT FOR EXPORT TAXES, AND 3) THAT ECUADOR
JOIN THE GROUP.

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2. THERE ARE PRESENTLY 5,800 ACRES OF BANANA LANDS UNDER

CULTIVATION ALL IN THE PROVINCE OF CHINANDEGA AND ON LAND WHICH CAN BE USED FOR COTTON OR SUGAR CANE. PLANS ARE TO EXPAND PRODUCTION ABOUT 100 PERCENT WITH A NEW VARIETY, ECUADOR DWARF, BEING INTRODUCED, PLANTED IN ROWS TO PERMIT FUTURE MECHANIZATION. THERE ARE THIRTEEN INDEPENDENT PRODUCERS ORGANIZED IN COMPANIES OWNED 80 PERCENT BY THE LANDHOLDER, 15 PERCENT BY STANDARD FRUIT, AND 5 PERCENT BY A STANDARD FRUIT EMPLOYEE, EACH WITH ONE VOTE. THE COMPANIES DO NOT OWN THE LAND BUT RENT IT AT A MINIMUM OF US\$65.00 AN ACRE WITH ADDITIONAL COMPENSATION BASED ON PRODUCTION. SOME OF THE PLANTATIONS PRODUCE ABOUT 1200 FORTY-POUND BOXES PER ACRE PER YEAR BRINGING THE LANDOWNER AROUND \$100 PER ACRE. CONTRACTS FOR THE LAND RENT ARE FOR TEN YEARS AND IN SOME CASES RENEWABLE. STANDARD FRUIT ENSURES ALL LOANS TO THE PRODUCING COMPANIES AND OWNS THE PACKING PLANTS. THE FRUIT IS BOUGHT BY STANDARD ON BOARD SHIP. WE UNDERSTAND THE OPERATION IS VERY PROFITABLE FOR THE US COMPANY.

3. ACCORDING TO ONE OF THE NICARAGUAN OBSERVERS AT THE UPEB MEETING EARLIER THIS MONTH IN TEGUCIGALPA, A RECENT DEVELOPMENT HAS BEEN THE POSSIBLE MEMBERSHIP OF MEXICO WHICH INTENDS TO EXPAND ITS BANANA PRODUCTION. IF MEXICO JOINS, HE SAYS IT WILL RESERVE ITS RIGHT TO CONTINUE EXPANSION AND THIS MIGHT PAVE THE WAY FOR NICARAGUA'S ACCESSION UNDER THE SAME CONDITIONS.

4. COMMENT: NICARAGUA'S BANANA INDUSTRY IS PERHAPS UNIQUE IN TWO WAYS: 1) THE CONTROLLING COMPANY, STANDARD FRUIT, OWNS NO LAND AND 2) LAND IN PRODUCTION COULD EASILY SWITCH TO COTTON IF THE ECONOMIES SUGGESTED IT. THE NICARAGUAN GOVERNMENT IS INTERESTED IN BANANA VERSUS COTTON PRODUCTION BECAUSE IT GIVES YEAR-AROUND EMPLOYMENT TO WORKERS AND IS NOT SUBJECT TO WIDE FLUCTUATIONS IN PRICES. AT THE MOMENT, COTTON IS RETURNING MORE TO THE FARMER THAN BANANAS BUT THIS CHANGES FROM YEAR TO YEAR. AN EXPORT TAX MIGHT, HOWEVER, SHIFT THE BALANCE PERMANENTLY TO COTTON. THE COMPETITION WITH ECUADOR IS REAL, BOTH SHIP TO THE SAME MARKET OFTEN ABOARD THE SAME VESSEL. WE BELIEVE NICARAGUA WILL CONTINUE TO FOLLOW ITS OWN INTERESTS EXCLUSIVELY IN ANY FUTURE CONNECTION WITH UPEB.

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